

Partners or just Good Friends?



Mike Taylor
Strategy & Corporate Development Director
BT Global Services Public Sector
1st October 2008

I'm going to talk about....

- Words versus actions
- Supplier "Roles" in BT
- Types of Supplier
- Managing Supplier Risks
 - Supplier Positioning
 - Obligations Mapping
- Partnership Working with Suppliers
 - Partnership Charters
 - Key Partnership Characteristics



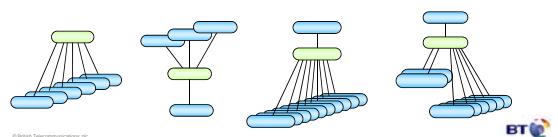
Words versus Actions

- We will accept risk
- We will accept flow down
- We will give full transparency
- We want a seat at the customer negotiations
- We will provide fully empowered people
- We will agree a collective competitive margin
- We are a fully committed partner
- Only if there is no risk or we have a substantial contingency
- Only if there is no risk or we have a substantial contingency
- Unless its against our policy and isn't used in evidence against us
- Because we don't trust you
- But we can't give commitments without executive approval
- So long as we can make at least 20%.
- We are American



Supplier "Roles" in BT

- Four distinct models
- The supplier performs a different role in each model
- Each model is born of different "Drivers"
- Each model presents different "Selection & Management Risks"



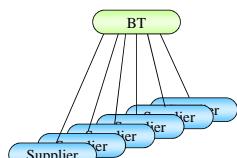
1. The role of ... Traditional Supplier

Drivers

- BT spending its own money
- Primarily for internal consumption
- Minimising cost is key

Selection / Management Risks

- Low risk
- Multiple sources of supply
- Ease of doing business is key



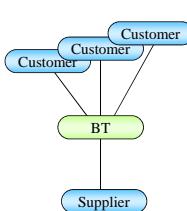
2. The role of... Proposition Supplier

Drivers

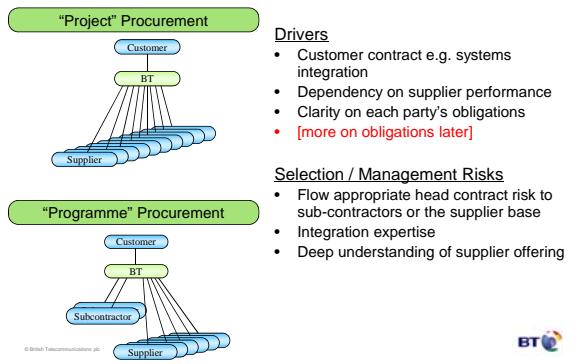
- Desire to repeat-sell a product or proposition to multiple customers
- Grow / protect multiple revenue streams

Selection / Management Risks

- Supplier's understanding of customer community
- BT misunderstanding supplier offering
- Failure of supplier relationships has disproportionate impact on multiple customer relationships, and potentially BT brand

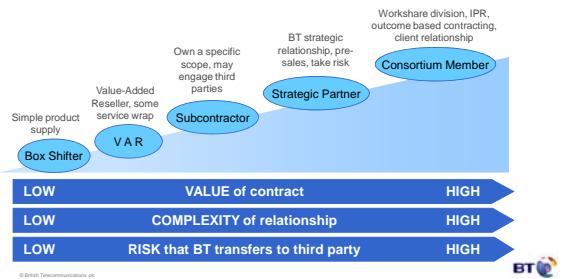


3. The role of ... Project or Programme Supplier



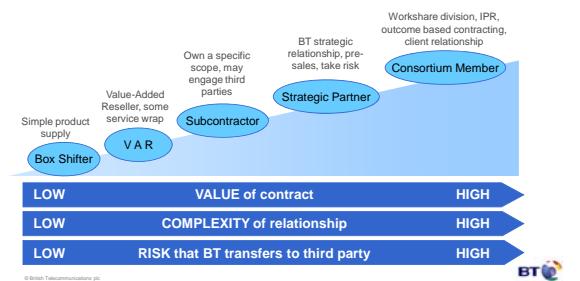
What's in a name?

The different types of **third party** that BT might contract with will vary in terms of the **risk** that BT would flow down to the third party; the typical **contract value**; and the **complexity** of the BT / Third Party relationship.



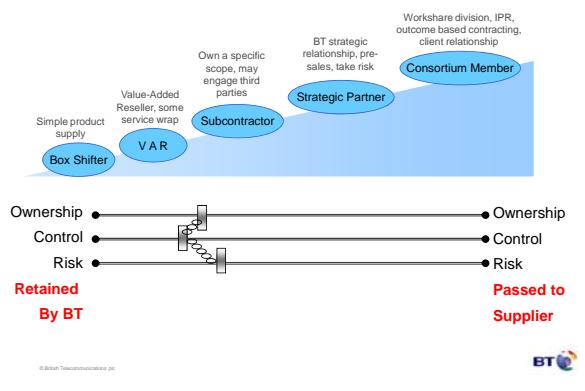
What's in a name?

The different types of **third party** that BT might contract with will vary in terms of the **risk** that BT would flow down to the third party; the typical **contract value**; and the **complexity** of the BT / Third Party relationship.



What's in a name?

The different types of **third party** that BT might contract with will vary in terms of the **risk** that BT would flow down to the third party; the typical **contract value**; and the **complexity** of the BT / Third Party relationship.



Managing Supplier Risk

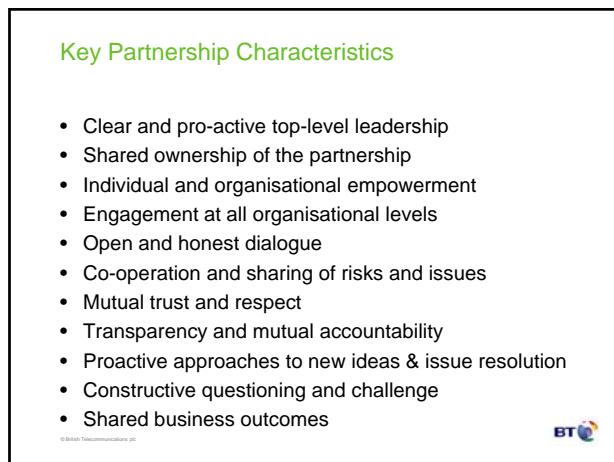
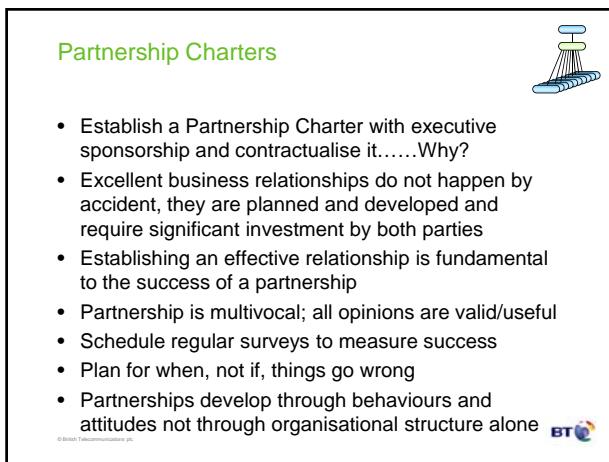
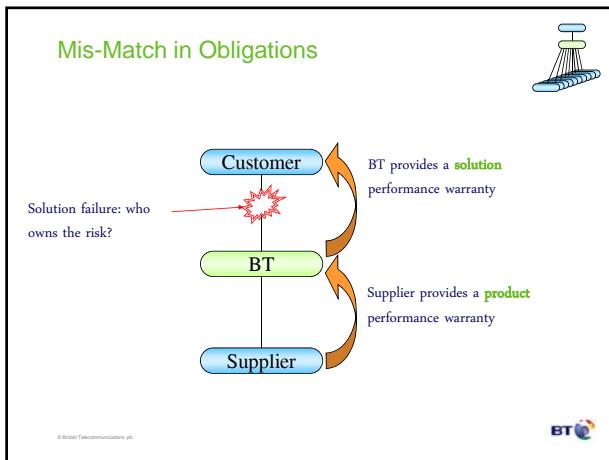
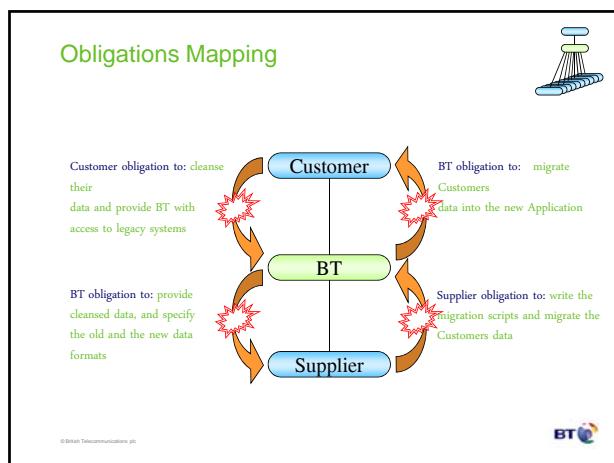
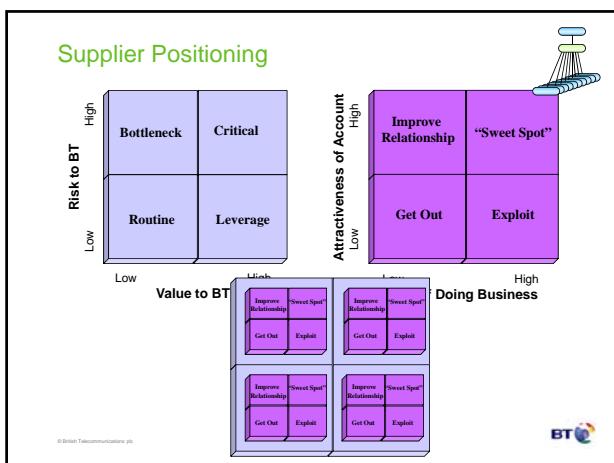
- How else can we improve the understanding of supplier risk, and the management of that risk?
 - Risk Objective
 - Supplier Positioning
 - Obligations Mapping
 - Mis-matches in obligations



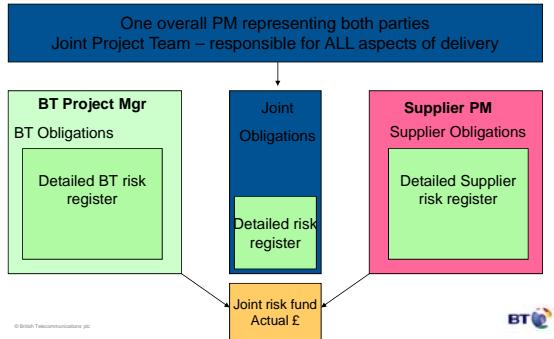
Risk Objective

- Elimination is NOT the Objective
- The objective is: "to **identify** and **assess** risk in dealings with customers, suppliers, subcontractors and other business partners and to **mitigate** and **manage** that risk"
- Managing risk v taking a chance
- Risk is only risky if you:
 - don't know it's there
 - don't understand what to do with it
 - don't provision for it
 - don't manage it





A Partnership Approach to Risk



Summary

- Talk is cheap, doing requires investment
- Different suppliers have different roles; one size **never** fits all
- Understand the relationship; move it to where it needs to be
- People make partners, not processes
- Partnerships are like Tea Bags

